

OMNICARE HEALTH PLAN NARRATIVE DESCRIPTION OF DEBT RESTRUCTURING APPROACH- MEDICAL LIABILITIES

In the normal course of business and prior to the Rehabilitation Order, OmniCare attempted to reconcile provider payments and settle with certain providers on their outstanding liabilities. This process was not completed when the Health Plan was placed in Rehabilitation. To develop a fair and equitable liability framework, liabilities and cash were restated to add back payments made for the one-year period prior to the Rehabilitation Order. Payments were then redistributed to providers on a pro-rata basis to determine a restated “look back” liability upon which to apply the specific cash payment percentages. There were three constraints employed in this analysis. The first was to redistribute negatives thereby not requiring previous payments to be recovered in the Rehabilitation scenario. The second was to limit the “restated payable” to a maximum of the total payments the provider would have been due over the course of the one year period prior to the Rehabilitation Order. The final constraint was to limit a provider’s calculated payment to a maximum of their actual outstanding liability. This approach was used in an effort to bring all creditors to an equitable starting point in the Rehabilitation. The calculations of payments to be made under the First Amended Rehabilitation Plan pursuant to this approach are detailed in Attachment C. A further narrative description of the Attachment C columns is provided below:

“Vendor” – This column represents the unique OmniCare provider/vendor number for each individual creditor. Some creditors have multiple vendor numbers under a single federal tax identification number.

“Amount Billed” – This column represents the billed charges for each individual creditor as reflected in OmniCare’s accounts payable file.

“Amount Payable” – This column represents the outstanding medical claims due to each identified creditor as reflected in OmniCare’s accounts payable file.

“Claim Payments 7/31/00-7/31/01” – This column represents the payments that were made to providers for the period 7/31/00 – 7/30/01 as reflected in OmniCare’s records.

“Look Back Amounts Due” – This column represents the sum of the “Amount Payable” and “Claim Payments 7/31/00-7/31/01” columns. It represents the total amounts that would be due to providers if you recovered all of the cash payments made to providers in the year prior to the Rehabilitation Order.

“Pro-Rata Payments” – This column represents each individual creditors “Look-Back Amount Due” as a percentage of the total. It is calculated by taking each individual creditors “Look-Back Amount Due” as a percentage of the total “Look-Back Amount Due” regardless of class.

“Redistributed Payments” – This column represents the payments that each creditor would have received in the year prior to the Rehabilitation Order, if such payments were made on a pro-rata basis proportional to their individual “Look Back Amount Due”. It is calculated by taking each individual creditor’s “Pro-Rata Payment” multiplied by the total payments made in the year prior to the Rehabilitation Order (\$122,803,536).

“Look-Back Impact” – This column represents the deficiency (excess) in claim payments actually made to each individual creditor when compared to the “Redistributed Payments”. It is calculated by taking each individual creditor’s “Redistributed Payments” minus the “Claim Payments 7/31/00-7/30/01”.

“Preliminary Restated Amount Payable – This column represents the restated amount that would be due each creditor if you recovered all of the cash payments made to providers in the year prior to the Rehabilitation Order and redistributed them on a pro-rata basis. It is calculated by taking each individual creditor’s “Amount Payable” plus the “Look-Back Impact”.

“Elimination and Pro-Rata Distribution of Negatives” – Under the Rehabilitation Plan, a constraint placed upon the calculations was that the look-back restated payable for any individual creditor would not be less than zero. In effect this resulted in no creditors paying back pre-Rehabilitation payments in the Rehabilitation scenario (as may be required in a liquidation scenario). This column was calculated by eliminating the negatives for all creditors. For creditors with multiple vendor numbers and/or multiple tax identification numbers, positive and negative amounts per individual vendor number were offset before determination of this adjustment. The total net negatives constrained to zero were then allocated to all of the creditors with a positive amount due, on a pro-rata basis.

“Restated Payable (Limited to Look-Back)” – Under the Rehabilitation Plan, another constraint placed upon the calculations was that the look-back approach could not yield a creditor a restated payable that was greater than the amount of their “Look-Back Amount Due”. For those creditors where this applied, the restated payable was reduced to the maximum of the “Look-Back Amount Due” and the total of these positive adjustments were allocated to the remainder of the creditors on a pro-rata basis.

“(Option A or B Cash Payment (Limit to A/P)) – This column represents the amount being proposed for payment to each creditor under the First Amended Rehabilitation Plan. It is calculated by multiplying the “Restated Payable (Limited to Look-Back)” by the applicable payment percentage defined in the Rehabilitation Plan for the applicable class of creditor under each option. This amount is limited to a maximum of the “Amount Payable” for each individual creditor.

“(Option B Surplus Note)” – This column represents the amount being proposed for surplus notes to each creditor electing Option B under the First Amended Rehabilitation Plan. It is calculated by subtracting the “Option B Cash Payment” from the “Amount Payable” for each creditor.